

**TUSCOLA COUNTY HEALTH DEPARTMENT**  
**CARO, MICHIGAN**

**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

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**Gardner | Provenzano  
Schauman & Thomas**

**CERTIFIED PUBLIC ACCOUNTANTS**

Frederick C. Gardner  
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James R. Schauman  
Heather A. Thomas

**INDEPENDENT AUDITOR'S REPORT**

January 23, 2009

Board of Public Health  
Tuscola County Health Department  
Caro, Michigan

We have audited the accompanying financial statements of the governmental activities of Tuscola County Health Department, a component unit of County of Tuscola, Michigan, as of and for the year ended September 30, 2008, which comprise the Health Department's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Tuscola County Health Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and standards prescribed by the State Treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tuscola County Health Department as of September 30, 2008, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America and with applicable rules and regulations of the State Treasurer.

Board of Public Health  
Tuscola County Health Department  
January 23, 2009  
Page Two

In accordance with Government Auditing Standards, we have also issued our report dated January 23, 2009, on our consideration of Tuscola County Health Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Gardner, Provencio, Schauman & Thomas, PC.*  
Certified Public Accountants

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

TUSCOLA COUNTY HEALTH DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

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Our discussion and analysis of the Tuscola County Health Department's financial performance provides an overview of the Health Department's financial activities for the fiscal year ended September 30, 2008. Please read it in conjunction with the Health Department's financial statements.

**Financial Highlights**

- Prior to the start of fiscal year 2007/2008, we received communication from Michigan Department of Community Health (MDCH), Tobacco Section; that as a result of significant cuts in the Healthy Michigan Fund, our request for Tobacco Reduction funding in the amount of \$20,000 would not be available. Also, notification was received stating we did not receive renewed funding for our Abstinence Program for 2007/2008, but encouraged us to apply in the next grant cycle.
- In November, we were notified by MDCH that a neighboring Health Department discontinued their Title X Family Planning Program, effective October 1, 2007; and a portion of their funding would be re-allocated to counties absorbing their clients. Our caseload increased by 150 clients, with additional funding of \$23,274. As a result of continued State budget negotiations, we were informed Healthy Michigan Funds were restored and our Tobacco Reduction funding would be available in the amount of \$20,000 retroactive to November 1, 2007.
- The Cardiovascular Health, Nutrition and Physical Activity Section of MDCH informed us in December, that our agency was selected for funding in the amount of \$10,000 for the "Building Healthy Communities Planning Grant", scheduled to begin March 1, 2008. The purpose of this grant was to develop a three year action plan in one Tuscola County community, to improve the environment for fitness and healthy living opportunities for all ages. Our Women, Infant and Children Program (WIC) was notified additional funding was granted in the amount of \$3,122, which allowed the program to advertise services provided in local newspapers.
- We received communication in January from MDCH, Division of Family and Community Health, that twenty-six of the forty Title X Family Planning Delegate agencies would receive additional funding and caseload for the year. Our caseload increased by 39 clients with funding in the amount of \$6,087. The additional funding allowed us to adjust staffing levels to better meet the needs of our clients.
- Funding for the new "Building Healthy Communities Planning Grant" increased to \$20,000 in February. The increase was used to enhance the action plan for the project already established, and build initiatives that could be used county-wide to improve the health status of our residents.

TUSCOLA COUNTY HEALTH DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

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**Financial Highlights (continued)**

- In March, we were informed by MDCH in conjunction with the Michigan Department of Transportation, that our agency was selected for funding in the amount of \$8,790 for the "Safe Routes to School" project, to begin March 10, 2008. This program was designed to encourage children through promotion, education, collaboration and design; to walk, bike and roller-blade to school, to decrease obesity and the serious consequences of physical inactivity. Two elementary schools in our county were chosen to participate in this project.
- We entered into an agreement in April, with Michigan Department of Agriculture for funding to provide food safety training sessions and materials to WIC mothers and senior citizens, in the amount of \$9,750. Our goal was to reach WIC mothers during their visits to our agency, seniors at meal-sites, and staff from assisted living centers. Also in April, we signed an agreement with a township for \$5,160 to complete 120 inspections of abandoned sewage disposal systems as they were being connected to a municipal system, and provide the results to the township.
- In May, we found it necessary to amend our "0-5 Early Intervention Program" contract with the Department of Human Services. The criteria for clients to enroll in the program changed, leaving very few clients eligible. The amount of the contract was reduced by \$15,105. Our WIC program was again notified of additional funding in the amount of \$1,561. The program used the funds to purchase office supplies.
- The Pandemic Flu Supplemental program received funding for their final year in the amount of \$50,629; which was \$3,797 less than the previous year. The program ended July 31, 2008.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Tuscola County Health Department, a component unit of the Tuscola County, as a whole and present a longer-term view of the Tuscola County Health Department's finances. Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Tuscola County Health Department's operations in more detail than the government-wide financial statements.

TUSCOLA COUNTY HEALTH DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

**THE STATEMENT OF NET ASSETS AND THE STATEMENT OF ACTIVITIES**

One of the most important questions asked about the Health department's finances is, "Is the Health Department better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about Tuscola County Health Department as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Health Department's net assets and changes in them. You can think of the Health Department's net assets, the difference between assets and liabilities, as one way to measure the Health Department's financial health, or financial position. Over time, increases or decreases in the Health Department's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors to assess the overall health of the Health department.

**THE HEALTH DEPARTMENT AS A WHOLE**

The Health Department's net assets decreased \$56,986 from a year ago.

As of September 30,	Governmental Activities	
	2008	2007
Current and other assets	\$ 802,566	\$ 854,261
Capital assets	86,035	140,179
Total assets	888,601	994,440
Long-term liabilities outstanding	130,018	125,079
Other liabilities	165,321	219,113
Total liabilities	295,339	344,192
Net assets:		
Invested in capital assets, net of related debt	86,035	140,179
Unrestricted	507,227	510,069
Total net assets	\$ 593,262	\$ 650,248



TUSCOLA COUNTY HEALTH DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

**THE HEALTH DEPARTMENT AS A WHOLE (continued)**

Table 2 Changes in Net Assets

For the year ended September 30,	Governmental Activities	
	2008	2007
Program revenue		
Charges for services	\$ 950,842	\$ 891,368
Operating grants and contributions	1,518,215	1,365,346
General revenue		
County Appropriations	400,936	387,471
Interest and rents	1,485	4,121
Other Revenues	208,807	431,432
Special item-gain (loss) on disposal of capital assets	(1,778)	(126)
Total revenue	<u>3,078,507</u>	<u>3,079,612</u>
Program expense		
Health department	<u>3,135,493</u>	<u>3,158,034</u>
Total expenses	<u>3,135,493</u>	<u>3,158,034</u>
Increase (decrease) in net assets	<u>\$ (56,986)</u>	<u>\$ (78,422)</u>

Net assets decreased by \$56,986 as compared to a decrease of \$78,422 in the 2007 fiscal year. There were several reasons for this variance. During the fiscal year ended September 30, 2007 the general fund had excess expenditures over revenue of \$8,617. For this fiscal year, the general fund had excess revenue over expenditures of \$2,097. Expense for compensated absences increased by \$4,839 in 2008, while 2007 saw an increase of \$16,863. In addition, depreciation expense for 2008 was in excess of \$50,000.

**REPORTING THE HEALTH DEPARTMENT ON A FUND BASIS**

Our analysis of the Health Department's only fund, a governmental special revenue fund of Tuscola County is defined below:

- **Governmental funds-** All of the Health Department's services are reported in a governmental fund, which focuses on how money flows into and out of that fund and the balance left at year-end that is available for spending. The governmental fund is reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statement provides a detailed short-term view of the Health Department's operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in

TUSCOLA COUNTY HEALTH DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

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**REPORTING THE HEALTH DEPARTMENT ON A FUND BASIS (continued)**

the near future to finance the Health Department's programs. We described the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund statements.

**ANALYSIS OF BALANCES AND TRANSACTIONS OF GENERAL FUND**

- The fund balance increased by \$2,097 as a result of revenues exceeding expenditures in fiscal year 2007/2008. The unreserved-undesignated general fund balance was \$295,102 at September 30, 2008.
- Amounts designated as "Unreserved/Designated" by the Board of Health as of September 30, 2008 were:
  - The amount of compensated absence balance to be used for future payment of compensated annual leave; and 50% of the amount of sick leave balance for employees eligible to retire in fiscal year 2008/2009 - \$130,018
  - \$124,998 for future MERS-employer contributions
  - \$32,004 for implementation of the TCHD wage schedule
  - \$47,000 for Data Management/Capital Improvements
- Amounts designated as "Reserved" by the Board of Health as of September 30, 2008 were:
  - The amount in the "Children's Special Health Care Relief Fund" - \$105
  - The amount in the "United Way/Community Foundation Blood-Lead Project" - \$757
  - The amount in the "Flexible Spending Account" for employee unreimbursed medical expenses - \$6,869
  - The amount in the "Imprest Cash" - \$392

TUSCOLA COUNTY HEALTH DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

At the end of 2008 and 2007, the Tuscola County Health Department had \$86,035 and \$140,179 invested in capital assets as follows:

	2008	2007
Building improvements	\$ 71,304	\$ 71,304
Computers and related equipment	280,554	287,724
Vehicles	43,489	43,489
Other equipment	166,770	167,225
Total	<u>562,117</u>	<u>569,742</u>
Less accumulated depreciation	(476,082)	(429,563)
Net fixed assets	<u>\$ 86,035</u>	<u>\$ 140,179</u>

There were no capital expenditures for the Health Department in fiscal year 2007/2008.

Additional information on the Health Department's capital assets can be found in Note 5.

**LONG-TERM DEBT**

At year-end, the Tuscola County Health Department had the following long-term debt:

Compensated absences	\$ 130,018
Total Long-term debt	<u>\$ 130,018</u>

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the Health Department Board amended the original budget to take into account events which had a significant impact on revenue and expenses. The final revised budget was adjusted to reflect the most accurate information available.

TUSCOLA COUNTY HEALTH DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

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**FIRST BUDGET VERSUS FINAL BUDGET**

The **"Intergovernmental Federal/State"** revenue line increased from the original budget by \$227,840 due to several factors. After the original budget was approved we received communication from Michigan Department of Community Health (MDCH), stating the Tobacco Reduction program would be reinstated, and additional funding was available for our Women-Infant-Children (WIC) program and the Family Planning program. Also, we received funding for three new programs reflected in the final revised budget, Safe Routes To School funded by Michigan Department of Transportation; Building Healthy Communities Planning Grant funded by MDCH; and a Food Safety Grant funded by Michigan Department of Agriculture. The most significant budget variance was in the value of Vaccine For Children (VFC) provided by MDCH. We did not have an accurate figure until after the original budget was approved.

We estimated **"Charges for Services"** conservatively in the original budget for Blue Cross, Private Insurance and some of the Medicaid Health Plans. As the fiscal year progressed, we were able to better predict those fees in the final budget, which increased by \$43,339.

The **"Salaries and Wages"** line increased in the final budget by \$28,989. Our original budget did not include wages for the reinstated Tobacco Reduction program or the two new programs, Building Healthy Communities and Safe Routes to School.

**"Supplies & Materials"** expense increased in the final budget by \$207,753. Original budget projections for the value of VFC vaccine provided by Michigan Department of Community Health, was based on prior year activity and adjusted in the final budget to reflect the current value of the vaccine. Also, the cost of vaccine we must purchase for the Immunization program increased significantly in the final budget. The grant Environmental Health received from Michigan Department of Agriculture for the Food Safety project included a substantial amount for supplies, and was included in the final budget.

Other less significant changes occurred, resulting in an overall variance from the original budget to the final revised budget.

TUSCOLA COUNTY HEALTH DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

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**FINAL BUDGET VERSUS ACTUAL RESULTS**

Actual "**Supplies and Materials**" costs deviated from the final revised budget by \$28,649. Clinic supply costs increased significantly for the Immunization and Family Planning programs. Our Thumb Steps Up program transferred funds from various lines to "Other Supplies", which allowed them to purchase a large quantity of pedometers for distribution to their program partners for community projects.

"**Contractual Expenses**" were \$25,679 less than reflected in the final revised budget. Data Management computer expenses were less than anticipated. A computer system project for automated data collection that Family Planning hoped to implement did not materialize, and the contractual expense for Thumb Steps Up partners was less than anticipated for the fiscal year.

Other less significant changes occurred, plus and minus, in both revenue and expenditures, resulting in the overall variance from the final revised budget to actual.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The Health Department's Board of Health and administrative staff considered many factors when developing a continuation budget plan. Fees are reviewed, and the quantity of services to be delivered and revenue generated are calculated. Prior to the beginning of a new fiscal year, information available from Michigan Department of Community Health sometimes is limited as to funding levels and programs that are in question for continued funding.
- One budget priority is to keep the wage schedule current yet manageable, with expected funding levels. The Board of Health and Board of Commissioners approved a 2.5% pay increase, effective October 1, 2008.
- The Municipal Employees' Retirement System (MERS) Annual Actuarial Valuation Report was received stating our agency is now funded at a 92.4% level. The employer contribution beginning January 1, 2009 will decrease to 9.34% from 9.40% or \$124,998 for fiscal year 2008/2009. This decrease is factored into the 2008/2009 continuation budget.

TUSCOLA COUNTY HEALTH DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES  
(continued)**

- Staffing adjustments are being planned for 2008/2009. The expectation that Environmental Health revenue will decline due to the lagging economy makes it necessary to eliminate the part-time Sanitarian II position. A Clerk/Clinic Assistant position in the WIC program will be reduced from full time to a .3 full time equivalent. Also, the contractual Social Worker and Health Educator positions will be eliminated. Funding for the Pandemic Flu Supplemental Program, Safe Routes to School and Building Healthy Communities Planning Grant, will not be available in 2008/2009. Staff formerly included in these programs will be placed in other existing programs where possible.
- We reapplied for funding from the Children's Trust Fund Office of the Michigan Department of Human Services, for our 0-3 Touching Lives of Children program. The grant cycle is for three years and would provide \$144,510 for each fiscal year. We submitted a proposal on behalf of the Tuscola Intermediate School District, as they would function as the fiduciary, to the Michigan Abstinence Program. This community-based abstinence education program serving Huron and Tuscola Counties, would be funded for five years and provide \$100,000 for each fiscal year. A proposal was submitted to the Michigan Public Health Institute for a Colorectal Cancer Screening Awareness Campaign for \$80,000. The purpose of this program is to promote awareness of colorectal cancer, its impact, and the importance of early detection among males and females of all races and ethnicities who reside in Huron, Sanilac and Tuscola Counties.
- Last year we reported that the Medicaid Cost Based Reimbursement (CBR) audit issues encountered by the Medical Services Administration resulting from a Federal audit, could potentially have a very negative impact on local health departments throughout the State. Local health departments not only face the possibility of significantly reduced CBR payments in the future, but also having to return any overpayments back to fiscal year 2003/2004. Issues were not resolved in fiscal year 2006/2007 or 2007/2008. The Michigan Department of Community Health and Medical Services Administration continue to challenge the audit findings.
- As always, consideration was given to the fact that the economy has a significant impact on funding we receive from all sources. The Board of Health and administrative staff will make adjustments to the agency budget as necessary to assure services are delivered in the most efficient manner with available funding.

TUSCOLA COUNTY HEALTH DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

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**CONTACTING THE TUSCOLA COUNTY HEALTH DEPARTMENT'S  
MANAGEMENT**

This financial report is intended to provide our citizens and customers with a general overview of the Tuscola County Health Department's finances and to show the Tuscola County Health Department's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Fiscal Manager at 1309 Cleaver Rd., Caro, MI 48723.

## **BASIC FINANCIAL STATEMENTS**



TUSCOLA COUNTY HEALTH DEPARTMENT  
GOVERNMENT WIDE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2008

	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash	\$ 516,717
Accounts receivable	78,749
Due from State of Michigan	48,527
Due from other governmental units	14,100
Due from other counties	41,534
Prepaid expenses	53,170
Inventory	49,769
Total current assets	<u>802,566</u>
Noncurrent assets	
Net capital assets	<u>86,035</u>
Total noncurrent assets	<u>86,035</u>
Total assets	<u>\$ 888,601</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	\$ 68,152
Accrued wages payable	44,415
Accrued taxes payable	2,985
Deferred revenue	49,769
Total current liabilities	<u>165,321</u>
Noncurrent liabilities	
Accrued compensated absences	<u>130,018</u>
Total noncurrent liabilities	<u>130,018</u>
Total liabilities	<u>295,339</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	86,035
Unrestricted	<u>507,227</u>
Total net assets	<u>593,262</u>
Total liabilities and net assets	<u>\$ 888,601</u>

See accompanying notes to the basic financial statements.

TUSCOLA COUNTY HEALTH DEPARTMENT  
GOVERNMENT WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Program Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Programs				
Personal Health	\$ 2,254,750	\$ 771,078	\$ 1,240,392	\$ (243,280)
Environmental Health	374,884	179,764	85,004	(109,916)
Administration	220,028	-	-	(220,028)
Other	286,031	-	192,819	(93,212)
Total Governmental Activities	<u>\$ 3,135,493</u>	<u>\$ 950,842</u>	<u>\$ 1,518,215</u>	<u>(666,436)</u>
General Revenues:				
County Appropriations				400,936
Interest and rents				1,485
Other Revenues				<u>208,807</u>
Total General Revenues				<u>611,228</u>
Special Items:				
Gain (loss) on disposal of capital assets				(1,778)
Change in net assets				(56,986)
Net Assets-Beginning of the Year				650,248
Net Assets-End Of Year				<u>\$ 593,262</u>

See accompanying notes to the basic financial statements.

**TUSCOLA COUNTY HEALTH DEPARTMENT  
GOVERNMENTAL FUND BALANCE SHEET  
SEPTEMBER 30, 2008**

	Governmental Fund Type
<b>ASSETS</b>	
Cash	\$ 516,717
Accounts receivable	78,749
Due from State of Michigan	48,527
Due from other governmental units	14,100
Due from other counties	41,534
Prepaid expenditures	53,170
Inventory	49,769
Total Assets	<u>\$ 802,566</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 68,152
Accrued wages payable	44,415
Accrued taxes payable	2,985
Deferred revenue	49,769
Total Liabilities	<u>165,321</u>
<b>FUND BALANCE</b>	
Reserved	
Children's Special Health Care Relief Fund	105
United Way Blood-Lead Project	757
Flexible spending	6,869
Imprest cash	392
Designated	
Compensated Absences	130,018
Retirement contribution	124,998
Wage schedule implementation	32,004
Data Mgt/capital improvements	47,000
Unreserved Undesignated	295,102
Total Fund Balance	<u>637,245</u>
Total Liabilities and Fund Balance	<u>\$ 802,566</u>
Governmental Fund Balance	\$ 637,245
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not considered financial resources and therefore not reported in the funds.	86,035
Liabilities such as compensated absences are not due and payable in the current year and are not reported on a fund level.	(130,018)
Net Assets of Governmental Activities	<u>\$ 593,262</u>

See accompanying notes to the basic financial statements.

TUSCOLA COUNTY HEALTH DEPARTMENT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

<u>Revenues</u>	<u>General Fund</u>
Licenses and permits	\$ 164,422
Intergovernmental Federal/State	1,902,227
Charges for services	579,064
General contributions	10,361
Other	2,336
Total revenues	<u>2,658,410</u>
<u>Expenditures</u>	
Salaries and wages	1,446,114
Fringe benefits	530,593
Supplies and materials	679,645
Contractual	160,835
Legal	1,763
Health services	7,498
Telephone	14,084
Travel	71,432
Advertising	9,810
Insurance	21,671
Equipment repairs and maintenance	18,335
Central Service costs	7,429
Building lease and rentals	87,572
Other	21,409
Total expenditures	<u>3,078,190</u>
Excess of revenues over (under) expenditures	(419,780)
<u>Other Financing Sources</u>	
County appropriation	400,936
Cigarette tax	19,849
Proceeds from the sale of fixed assets	1,092
Total other financing sources	<u>421,877</u>
Excess of revenues and other financing sources over (under) expenditures	2,097
Fund balance-beginning of year	635,148
Fund balance-end of the year	<u>\$ 637,245</u>
Excess of revenues over (under) expenditures	\$ 2,097
Amounts reported for governmental-wide statement of activities differ because:	
Depreciation is not reported at the fund level	(52,366)
Gains or losses from the disposal of capital assets are not reported at the fund level	(1,778)
The change in compensated absences is not recorded at the fund level	(4,939)
Change in net assets	<u>\$ (56,986)</u>

The accompanying notes to the financial statements are an integral part of these statements.

## **NOTES TO FINANCIAL STATEMENTS**

TUSCOLA COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Summary of Significant Accounting Policies

The accounting policies of the Tuscola County Health Department conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

A. Reporting Entity

The Tuscola County Health Department (Health Department) is a component unit of the County of Tuscola, Michigan and operates under the legal supervision and control of the Tuscola County Board of Commissioners. The Tuscola County Board of Commissioners appoints the membership of the Board of Health (Board). The Board functions as the governing body of the Health Department. It sets policies and procedures and provides general oversight of the Health Department's operations in cooperation with the Tuscola County Board of Commissioners. The Health Department was established to protect the citizens of Tuscola County from disease, as well as to promote the general health and well-being of those citizens.

B. Basis of Presentation

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the activities of the primary government. Governmental activities, normally supported by taxes and inter-governmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. The Tuscola County Health Department did not engage in any business-type activities for the year ended September 30, 2008.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues for personal health and environmental health include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as general revenue.

TUSCOLA COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Summary of Significant Accounting Policies (continued)

Fund Financial Statement:

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

C. Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or within 60 days of the end of the current fiscal period. Revenues from grants designated for payment of specific program expenditures are recognized when the related expenditures are incurred. Client fees are reported as income when earned and billed. Expenditures generally are recognized when the related fund liabilities are incurred. However, debt service expenditures, expenditures relating to long-term debt are recorded only when payment is due.

TUSCOLA COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Assets or Equity

Capital Assets -- Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Building improvements	5 to 15 years
Computers and related equipment	5 to 10 years
Vehicles	4 years
Other equipment	3 to 15 years

Encumbrances are recorded by purchase orders and contracts at the time of issue. The encumbrances are liquidated when the goods or services are received. Unliquidated encumbrances lapse at the end of the fiscal year.

Compensated Absences (Vacation and Sick Leave)

The Health Department's personnel policy provides for the accumulation of compensated leave for vacation and sick days. The Health Department is contingently liable for vacation time and unused sick time only upon death or retirement. Employees of the Health Department are granted vacation leave in varying amounts based on length of service. Upon termination of employment, employees are paid accumulated vacation at the current rate of pay for a maximum of 32 days. At September 30, 2008, accumulated vacation payable amounted to \$92,101. Upon retirement, employees are paid accumulated sick leave at a rate of 50% of hours accumulated up to a maximum of 900 hours (450 hours paid). At September 30, 2008, seven employees were eligible for retirement and the accumulated sick leave payable amounted to \$37,917.

Long-Term Obligations -- In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. At September 30, 2008, compensated absences were the only long-term obligation.



TUSCOLA COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Summary of Significant Accounting Policies (continued)

Assets, Liabilities, and Net Assets or Equity (continued)

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The Health Department received monies from United Way to be used for emergency health care services for children. These monies are deposited into a separate bank account. Disbursements are made from this account by the Health Department as needed for emergency health care expenditures. At September 30, 2008, the balance in the "Children's Special Health Care Services Fund" was \$105, the United Way Blood-Lead Project was \$757, imprest cash was \$392 and the Flexible spending was \$6,869.

During the current year, the Board of Health designated monies from the unreserved fund balance and set them aside for future use. As of September 30, 2008, \$124,998 had been designated for future MERS employer contributions, \$32,004 had been designated for implementation of a new wage schedule, \$130,018 for compensated absences, and \$47,000 for Data Management and Capital Improvements.

E. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

F. Inventory

Inventory, which consists of VFC vaccine supplies, is valued at cost determined by the State of Michigan.

TUSCOLA COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS

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NOTE 2--Stewardship, Compliance and Accountability

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end. The Health Department administrative staff meet to identify staffing and expenditures necessary to meet minimum program requirements and identify all applicable revenue sources, i.e. Fees, and Local, State, and Federal funding. A review of actual financial data from the most recent fiscal year is made and costs are updated to reflect known increases. The Finance Director then prepares draft budgets for each cost center. These drafts are then reviewed by the appropriate department executive and/or director, and suggested adjustments are made. The budget is then presented for review and recommendation to the full Board of Health. The Board of Health approves the proposed total agency budget on the same basis of accounting as the financial statement presentation, which is reflected in the Board of Health meeting minutes. Approved budgets are then submitted to the appropriate grantor agencies.

Budget amendments are initiated upon semi-annual review of the budget to actual revenue and/or expenditures. A meeting is held to discuss necessary changes with the department executive and/or director. Budget amendments are then presented to the Health Officer for review. Upon approval of the Health Officer, the amended budget is then presented for review and recommendations to the full Board of Health. The Board of Health approves the amended budget and the approved amendment is reflected in meeting minutes. The approved amended budget is then submitted to appropriate grantor agencies.

Budget variances are illustrated in the supplemental information section.

NOTE 3--Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

TUSCOLA COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS

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NOTE 3--Deposits and Investments (continued)

The Health Department's cash consists of cash on hand and demand deposits. In accordance with the statutes of the State of Michigan, all cash received by the Health Department is transferred to the Treasurer of the County of Tuscola for deposit and investment of excess cash. The detail of cash at September 30, 2008 is as follows:

Petty cash – The Health Department maintained a cash balance of \$392.

Deposits – The carrying amount of the Health Department's deposits (checking accounts, etc.) was \$40,069 with a corresponding bank balance of \$61,633. Of that balance, all was insured.

Deposits with County of Tuscola – The amount of the Health Department's deposits with the County of Tuscola was \$476,648. The County of Tuscola's cash and investments were not audited as of September 30, 2008. Therefore, the categorization into risk levels of the cash and investments could not reasonably be determined.

The Health Department's investment policy authorizes all of the above listed investments as authorized by Treasury.

NOTE 4--Receivables

Receivables as of year-end for the government's general fund, including the applicable allowances for uncollectible accounts, are as follows:

Accounts receivable	\$ 78,749
Due from State of Michigan	48,527
Due from other governmental units	14,100
Due from other counties	41,534
	<u>\$ 182,910</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, deferred revenue consisted of vaccine not used.

TUSCOLA COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS

NOTE 5--Capital Assets

Capital asset activity of the primary government for the current year was as follows:

	Balance 10/1/2007	Additions	Disposals	Balance 9/30/2008
Building improvements	\$ 71,304	\$ -	\$ -	\$ 71,304
Computers and related equipment	287,724	-	7,170	280,554
Vehicles	43,489	-	-	43,489
Other equipment	167,225	-	455	166,770
Total	<u>569,742</u>	<u>\$ -</u>	<u>\$ 7,625</u>	<u>562,117</u>
Less accumulated depreciation	429,563	\$ 52,366	\$ 5,847	476,082
Net capital assets	<u>\$ 140,179</u>			<u>\$ 86,035</u>

Depreciation expense of \$52,366 was charged as follows: administration \$25,976, environmental health \$6,194, personal health \$6,216 and other \$13,980.

NOTE 6-- Leases

The Health Department has entered into an operating lease with the County of Tuscola for office space. The lease provides for monthly payments to the County to cover operational expenditures of the building. The total rental expense under this operating lease for the year ended September 30, 2008 was \$85,676. Lease payments are determined annually by Tuscola County.

The Tuscola County Health Department has a lease agreement for a postage meter. Quarterly payments are \$474. The total expensed for the year ended September 30, 2008 was \$1,896.

Future minimum payments are as follows:

Year	Payment
2009	\$ 1,896
2010	1,422
Total	<u>\$ 3,318</u>

TUSCOLA COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS

NOTE 7--Long-Term Debt

The following is a summary of long-term debt transactions of the Health Department for the year ended September 30, 2008:

	Payable 10/1/2007	Additions	Reductions	Payable 9/30/2008
Compensated absences	\$ 125,079	\$ 6,770	\$ 1,831	\$ 130,018
	<u>\$ 125,079</u>	<u>\$ 6,770</u>	<u>\$ 1,831</u>	<u>\$ 130,018</u>

NOTE 8--Risk Management

The Health Department has joined together with other local governments in Michigan to form Michigan Municipal Risk Management Authority (MMRMA), a public entity risk pool currently operating as a common risk management and financing program for member Michigan local governments. The Health Department pays an annual premium to MMRMA for its general liability insurance coverage. The Agreement for Formation of the MMRMA provides that MMRMA will be self-sustaining through member premiums.

The Health Department continues to carry commercial insurance for all other risks of loss, including workers' compensation, employee dishonesty and health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9--Retirement System - MERS Operated

Plan Description

The Health Department's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Health Department participates in the Municipal Employees Retirement of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board, Act No. 220 of the Public Acts of 1996, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

TUSCOLA COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS

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NOTE 9--Retirement System – MERS Operated (continued)

Funding Policy

The Health Department employees are required to contribute at an actuarially determined rate; the current rate is 3% of the first \$4,200 of annual payroll and 5% of portions over \$4,200. The Health Department is required to contribute the remaining amounts necessary to fund the System, based upon actuarial valuations as required by State statute. The contribution rate was 9.34% October 1, 2007 through December 31, 2007 and 9.40% January 1, 2008 through September 30, 2008. The contribution requirements of the Health Department are established and may be amended by the Retirement Board of MERS.

Annual Pension Cost

For the year ended September 30, 2008, the Health Department's cost of \$129,004 for MERS was equal to the Health Department's required and actual contributions. The required contribution was determined as part of the December 31, 2006, actuarial valuation using the entry age normal actuarial funding method. The actuarial assumptions include, (a) an assumed rate of investment return that is used to discount liabilities and project what plan assets will earn, (b) a mortality table projecting the number of members who will die before retirement and the duration of benefit payments after retirement, (c) assumed retirement rates projecting when members will retire and commence receiving retirement benefits, (d) a set of withdrawal and disability rates to estimate the number of members who will leave the work force before retirement, (e) assumed rates of salary increase to project member compensation in future years. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect market value.

TUSCOLA COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS

NOTE 9--Retirement System -- MERS Operated (continued)

Annual Pension Cost (continued)

Three-year Trend Information

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation			
9/30/2006	\$ 113,290	100%	\$ -			
9/30/2007	\$ 127,946	100%	\$ -			
9/30/2008	\$ 129,004	100%	\$ -			
			Unfunded			UAAL
		Actuarial	(Over			as a
	Actuarial	Accrued	Funded)			% of
Actuarial	Value of	Liability	AAL	Funded	Covered	Covered
Valuation	Assets	Entry Age	(UAAL)	Ratio	Payroll	Payroll
Date	(a)	(b)	(b-a)	(a/b)	(c)	(b-a) (c)
12/31/2005	\$ 5,033,724	\$ 5,493,348	\$ 459,624	92%	\$ 1,185,815	39%
12/31/2006	\$ 5,488,915	\$ 6,009,115	\$ 520,200	91%	\$ 1,376,380	38%
12/31/2007	\$ 5,963,981	\$ 6,452,569	\$ 488,588	92%	\$ 1,322,778	37%

NOTE 10--Deferred Compensation Plan

The Health Department offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Health Department employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The related assets and liabilities are not reported in the Health Department's financial statements as the assets are placed with a trustee. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Health department's financial statements.

NOTE 11--Economic Dependency

The Health Department received approximately 39% of its General Fund revenue and other financing sources from the Michigan Department of Community Health. Due to the significance of this revenue source to the Health Department, it is considered to be economically dependent.

## **REQUIRED SUPPLEMENTAL INFORMATION**



TUSCOLA COUNTY HEALTH DEPARTMENT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED SEPTEMBER 30, 2008

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
<u>Revenues</u>				
Licenses and permits	\$ 181,683	\$ 166,978	\$ 164,422	\$ (2,556)
Intergovernmental Federal/State	1,678,011	1,905,851	1,902,227	(3,624)
Charges for services	529,178	572,517	579,064	6,547
General contributions	7,915	8,660	10,361	1,701
Other	5,224	1,313	2,336	1,023
Total revenues	<u>2,402,011</u>	<u>2,655,319</u>	<u>2,658,410</u>	<u>3,091</u>
<u>Expenditures</u>				
Salaries and wages	1,425,438	1,454,427	1,446,114	(8,313)
Fringe benefits	531,755	525,488	530,593	5,105
Supplies and materials	443,243	650,996	679,645	28,649
Contractual	174,798	186,513	160,835	(25,678)
Legal	4,828	3,000	1,763	(1,237)
Health services	7,965	5,759	7,498	1,739
Telephone	14,752	13,845	14,084	239
Travel	82,835	84,166	71,432	(12,734)
Advertising	1,400	4,529	9,810	5,281
Insurance	30,773	30,718	21,671	(9,047)
Equipment repairs and maintenance	8,430	8,258	18,335	10,077
Central Service costs	8,248	9,986	7,429	(2,557)
Building lease and rentals	87,572	87,572	87,572	-
Other	18,101	20,714	21,409	695
Total expenditures	<u>2,840,138</u>	<u>3,085,971</u>	<u>3,078,190</u>	<u>(7,781)</u>
Excess of revenues over (under) expenditures	(438,127)	(430,652)	(419,780)	10,872
<u>Other Financing Sources</u>				
Operating transfers in				
County appropriation in	413,836	400,936	400,936	-
Cigarette tax	24,291	19,849	19,849	-
Proceeds from the sale of fixed assets	-	-	1,092	1,092
Total other financing sources	<u>438,127</u>	<u>420,785</u>	<u>421,877</u>	<u>1,092</u>
Excess of revenues over (under) expenditures	-	(9,867)	2,097	11,964
Fund balance-beginning of year	635,148	635,148	635,148	-
Fund balance-end of the year	<u>\$ 635,148</u>	<u>\$ 625,281</u>	<u>\$ 637,245</u>	<u>\$ 11,964</u>

The accompanying notes to the financial statements are an integral part of this statements.



**Gardner | Provenzano  
Schauman & Thomas**

**CERTIFIED PUBLIC ACCOUNTANTS**

Frederick C. Gardner  
Giacamo Provenzano  
James R. Schauman  
Heather A. Thomas

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

January 23, 2009

Board of Public Health  
Tuscola County Health Department  
Caro, Michigan

We have audited the financial statements of the governmental activities of Tuscola County Health Department as of and for the year ended September 30, 2008, and have issued our report thereon dated January 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Tuscola County Health Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tuscola County Health Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Tuscola County Health Department's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Tuscola County Health Department's ability to initiate, authorize, record, process, or report financial data reliably in accordance

with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Tuscola County Health Department's financial statements that is more than inconsequential will not be prevented or detected by Tuscola County Health Department's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Tuscola County Health Department's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be a material weakness as defined above.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Tuscola County Health Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Public Health, management and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Gardner, Primavera, Schuman & Thomas, P.C.*

Certified Public Accountants



**Gardner|Provenzano  
Schauman & Thomas**

**CERTIFIED PUBLIC ACCOUNTANTS**

Frederick C. Gardner  
Giacamo Provenzano  
James R. Schauman  
Heather A. Thomas

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

January 23, 2009

Board of Public Health  
Tuscola County Health Department  
Caro, Michigan

**Compliance**

We have audited the compliance of the Tuscola County Health Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. The major federal programs of the Tuscola County Health Department are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Tuscola County Health Department's management. Our responsibility is to express an opinion on the Tuscola County Health Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Tuscola County Health Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Tuscola County Health Department's compliance with those requirements.

In our opinion, the Tuscola County Health Department complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008.

Internal Control Over Compliance

The management of the Tuscola County Health Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Tuscola County Health Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Tuscola County Health Department's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type or compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses above. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as described above.

Board of Public Health  
Tuscola County Health Department  
January 23, 2009  
Page Three

This report is intended for the information of the Board of Public Health, management and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Gardner, Invernizzi, Schauman & Thomas, P.C.*

Certified Public Accountants

TUSCOLA COUNTY HEALTH DEPARTMENT  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2008

SECTION 1 – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?      ☐ Yes      ☒ No

Significant deficiencies identified not considered to be material weaknesses?      ☐ Yes      ☒ None reported

Noncompliance material to financial statements noted?      ☐ Yes      ☒ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?      ☐ Yes      ☒ No

Significant deficiencies identified not considered to be material weaknesses?      ☐ Yes      ☒ None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of Circular A-133?      ☐ Yes      ☒ No

Identification of major programs:

CFDA Number  
93.268

Name of Federal Program or Cluster  
Immunization Grants

Dollar threshold used to distinguish between Type A and Type B programs:  
\$300,000

Auditee qualified as low-risk auditee?      ☒ Yes      ☐ No

**TUSCOLA COUNTY HEALTH DEPARTMENT  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2008**

**SECTION II – Financial Statement Findings**

There are no matters to report.

**SECTION III – Federal Award Findings and Questioned Costs**

There are no matters to report.



TUSCOLA COUNTY HEALTH DEPARTMENT  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2008

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Number	Federal Expenditures
<b>U.S. Department of Health and Human Services:</b>			
Maternal & Infant Health Program (MCH Block)	93.994	B1MIMCHS	\$ 14,423
Family Planning (MCH Block)	93.994	B1MIMCHS	28,943
Family Planning Services	93.217	05H000173	37,047
Family Planning Services	93.217	05H000173	43,365
Immunization-IAP	93.268	H23 CCH522556	4,803
Immunization-IAP	93.268	H23 CCH522556	848
Immunization-IAP	93.268	H23 CCH522556	12,884
Immunization-IAP	93.268	H23 CCH522556	4,068
Case Management Services	93.994	B1MIMCHS	9,638
Case Management Services	93.778	5XX05MI5048	16,612
Vaccines Provided (Fixed Unit Rate)	93.268	2H23IP522556	304,705
VFC Provider Site Visits (Fixed Unit Rate)	93.268	2H23IP522556	150
AFIX Provider Site Visit (Fixed Unit Rate)	93.268	2H23IP522556	250
VFC/AFIX Provider Site Visits (Fixed Unit Rate)	93.268	2H23IP522556	1,000
Immunization Centralized Vaccine Program	93.268	H23 CCH522556	2,004
CSHCS Care Coord. Level I & II (Fixed Unit Rate)	93.778	50805MI5048	17,160
CSHCS Case Management (Fixed Unit Rate)	93.778	50805MI5048	202
Medicaid Outreach Activities (Fixed Unit Rate)	93.778	50805MI5048	11,631
Bioterrorism-Focus A (10 Month Funding)	93.283	CCU517018	120,541
Bioterrorism-Focus A (2 Month Funding)	93.283	CCU517018	21,649
Bioterrorism-Pandemic Flu	93.283	CCU517018	50,629
<u>Health Resources and Services Administration</u>			
Rural Health Care Services Outreach Grant (Thumb Nutrition & Physical Activity Program)	93.912	D04RH06934	141,363
<b>U.S. Department of Agriculture:</b>			
<u>Michigan Department of Community Health</u>			
Women Infants and Children (WIC)	10.557	XX4W1006	214,100
<b>Michigan Fitness Foundation:</b>			
<u>Highway Planning and Construction</u>			
Chronic Disease - Safe Routes To School	20.205	87315	8,790
<b>Family Independence Agency:</b>			
Children's Trust Fund - T.L.C. Program	93.558	CTFPR-05-79001	135,898
<b>Environmental Protection Agency:</b>			
<u>Department of Environmental Quality</u>			
Operator Certification Expense Reimbursement Grant	66.471	CT975861	4,700
			<u>\$ 1,207,403</u>

TUSCOLA COUNTY HEALTH DEPARTMENT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

NOTE 1--Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Tuscola County Health Department and is presented in the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*.

NOTE 2--Reconciliation of Revenue Reported in the Financial Statements with Expenditures of Federal Awards

Intergovernmental revenue		\$ 1,902,227
Less:		
Cost sharing	(226,563)	
State and local grants	<u>(468,261)</u>	<u>(694,824)</u>
		<u>\$ 1,207,403</u>